

Message Text

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11

ACTION NEA-10

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FM AMEMBASSY KUWAIT

TO /USDOC WASHDC

INFO SECSTATE WASHDC 3028

AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

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DEPT PASS OPIC

E.O. 11652: N/A

TAGS: EIND, EINV, KU

SUBJ: REYNOLDS ALUMINUM-KUWAITIS DISCUSS LOCAL JOINT-VENTURE
MANUFACTURING OPERATION

REF: KUWAIT 1076

1. AS RESULT OF MEETING EMBASSY ARRANGED DURING FEBRUARY
OPIC MISSION BETWEEN PAUL FOX, VP OF REYNOLDS ALUMINUM AND
KUWAIT INDUSTRIAL DEVELOPMENT BANK OFFICIAL, REYNOLDS TEAM
RECENTLY VISITED KUWAIT TO EXPLORE POSSIBILITY REYNOLDS
INVESTING IN LOCAL JOINT VENTURE TO ANODIZE AND EXTRUDE
ALUMINUM HERE. PROJECT WHICH INITIALLY WOULD COST OVER \$2
MILLION REQUIRES REYNOLDS PUT UP EQUITY INVESTMENT OF \$500,000.
KUWAITIS WANT TO HAVE REYNOLDS MANAGEMENT AND MARKETING KNOW-
HOW BUT CLAIM TO BE UNWILLING TO CONSIDER ANYTHING OTHER
THAN EQUITY PARTICIPATION. KIDB OFFICIAL CLAIMS HE OFFERED
BY CIRCUITUOUS MEANS TO LOAN COMPANY THROUGH THEIR BANKERS
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IN THE US MONEY AT RATE BETWEEN 6-7 PER CENT. OFFICIAL TOLD

EMBOFF REYNOLDS TEAM MADE NO COMMITMENT BUT TOOK PROPOSAL BACK TO COMPANY MANAGEMENT FOR THEIR CONSIDERATION. OFFICIAL CLAIMS VENTURE IN WHICH THEY AND LOCAL ALUMINUM INDUSTRIES CO. WILL ALSO HAVE EQUITY HAS BEEN RESEARCHED, AND THEY BELIEVE DEMAND IN KUWAIT ALONE IS SUFFICIENT TO INSURE PROFIT. OFFICIAL CITED CLOSE SOURCE OF ALUMINUM IN BOTH BAHRAIN AND IRAN AS SITUATION WHICH WOULD GET COMPANY FAVORABLE PRICE. OFFICIAL INDICATED COMPANY WOULD EVENTUALLY SEEK ESTABLISH SUBSIDIARIES IN OTHER GULF STATES.

2. COMMENT: WHILE WE NOT IN A POSITION TO EVALUATE VIABILITY THIS PROJECT, KUWAIT INDUSTRIAL DEVELOPMENT BANK DOES HAVE SOME FIRST RATE STAFF MEMBERS, AND A CHAIRMAN WHO IS ANXIOUS THAT HIS NEWLY FORMED BANK SUCCEED. GIVEN WILLINGNESS BANK TO EXTEND CONCESSIONARY LOAN TO REYNOLDS AND NEW COMPANY AND INDIRECT OWNERSHIP OF GOK IN PLANT, WE WOULD HOPE REYNOLDS GIVES PROPOSAL ITS SERIOUS CONSIDERATION. BESIDES PROS AND CONS OF THIS PARTICULAR OPERATION THERE SEVERAL OTHER FACTORS REYNOLDS SHOULD CONSIDER. MOST IMPORTANTLY IS PROPENSITY PRIVATE KUWAITIS AND GOK TO DEAL WITH INDIVIDUALS AND COMPANIES PERSONALLY AND FAVORABLY KNOWN TO THEM. THUS, IF OPERATION PROVED MUTUALLY BENEFICIAL TO BOTH PARTIES, REYNOLDS COULD REASONABLY LOOK TO KUWAIT PROVIDE IT WITH CAPITAL FOR EXPANSION PLANS IN OTHER COUNTRIES, OR EVEN US. OUR EXPERIENCE HAS BEEN THAT COMPANIES WHICH BECOME DIRECTLY INVOLVED IN BUSINESS WITH KUWAITIS HAVE BEEN ABLE TO CAPITALIZE ON MODEST INVESTMENTS OF MONEY AND MANPOWER TO ENTER INTO MUCH MORE SIGNIFICANT RELATIONSHIPS WITH INDIVIDUAL KUWAITIS AND GOK.

3. SINCE ORIGINAL OPPORTUNITY CAME TO REYNOLDS ATTENTION THROUGH OFFICIALLY SPONSORED MID-EAST MISSION, IT MAY NOT BE OUT OF ORDER FOR COMMERCE OR OPIC DISCREETLY DISCUSS PROJECT WITH REYNOLDS AND GIVE US INDICATION ON LIKELIHOOD THEY WILL CHOOSE TO TAKE EQUITY IN THIS PROJECT.

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